



# COUNTY OF LOS ANGELES

## Internal Services Department

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*To enrich lives through effective and caring service.*

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October 27, 2004

To: Each Supervisor

From: Dave Lambertson   
Interim Director

Subject: **SOUTHERN CALIFORNIA EDISON (SCE) RATE CASE AGREEMENT**

In previous Energy Update Reports, I reported that ISD, on behalf of the County, is a participant in SCE's General Rate Case proceeding at the California Public Utilities Commission (CPUC). This report is to provide you an update on these proceedings.

For the last two years, ISD has been actively involved in reviewing proposals, providing written comments, and participating in discussions related to SCE's requested annual revenue increase and the final allocation of that increase among customers. This report discusses a proposed agreement between the various participants in the rate proceeding to resolve the proceeding. The parties will obtain approval by the CPUC in order for the proposed agreement to become effective.

### **General Rate Case Proceeding Results**

SCE's rate proceeding covered two distinct phases. Phase 1 dealt with the size of the total annual revenue increase SCE should receive in order to cover their higher expenses of system operation, maintenance and general administration. This revenue increase does not include any costs for generating or purchasing energy. The final Phase 1 decision by the CPUC allowed SCE an annual revenue increase of \$73 million, or approximately 2.6% over their base annual revenues of about \$2.7 billion. SCE had originally requested an increase of nearly 15%.

The GRC Phase 2 is nearly complete. This phase deals with allocating the \$73 million annual revenue increase allowed by the CPUC across SCE's different customer rate classes. ISD, through its outside energy counsel, participated in the allocation discussions. The final Phase 2 proposal will result in a decrease of approximately \$3 million per year in the County's total SCE billings. We believe that the overall allocation more closely reflects SCE's costs to provide service to each customer rate class (e.g., residential versus industrial customers, etc.).

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Of the \$3 million in annual savings to the County, \$2.1 million relates to accounts in the ISD managed utility budget and \$800,000 relates to the street light and traffic control accounts managed by the Department of Public Works. These impacts are all compared to the SCE rates in effect as of February of 2004.

### **Approval of GRC Phase 2 Agreement**

ISD has jointly participated in the Phase 2 proceeding with other parties (including the Los Angeles Unified School District). All of the participants, including ISD, agree that the proposed agreement is the best resolution of all of the issues in the proceeding. With the concurrence of County Counsel, ISD intends to direct our outside energy counsel to sign the agreement on behalf of the joint participants, including the County. The proposed agreement is expected to be finalized within two weeks and will become effective following CPUC approval.

If you have any questions about the rate proceeding, please contact me or have your staff contact ISD's Energy Management Division Manager, Howard Choy, at (323) 881-3939.

DL:TT:HWC:lf

c: Chief Administrative Officer  
Each Department Head  
Each ISD Board Deputy  
County Counsel